

## Message Text

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14

ACTIO N EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 EB-11 COME-00 TRSE-00

AID-20 CEA-02 CIAE-00 EA-11 FRB-02 INR-10 NEA-11

NSAE-00 RSC-01 OPIC-\*2 SPC-03 CIEP-02 LAB-06 SIL-01

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 8426

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, OECD, EEC, DA

SUBJECT: SOYBEANS AND THE CAP

REF: (A) STATE 246673, (B) STATE 248250

1. IN RECENT DISCUSSIONS AT MINAG AND FONOFF, US OBJECTIONS TO  
SOYBEAN CAP AND PRODUCTION INCENTIVE PROGRAM WERE REITERATED.  
WHILE US CONCERNS WELL-KNOWN TO DANES, THEY REMAIN UNPREPARED  
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TO OVERTLY OPPOSE SOYBEAN CAP PROPOSAL. THEY SEE SOYBEAN CAP

BEING ADOPTED AT FRENCH INSISTENCE AS PART OF CAP PRICE COM-PROMISE PACKAGE. THEY DO NOT BELIEVE PRESENT SOYBEAN CAP PROPOSAL WILL HAVE SIGNIFICANT IMPACT ON EC PRODUCTION NOR ON US EXPORTS AND THEY STATE DENMARK WILL OPPOSE ANY EFFORT TO EXPAND PROTECTION BEYOND LEVEL OF PROPOSED CAP. NEVERTHELESS, DENMARK WOULD PREFER TO AVOID SOYBEAN CAP IF THERE WAS A VIABLE ALTERNATIVE WHICH THE FRENCH WOULD ACCEPT, SUCH AS PRODUCTION RESEARCH.

2. IN THE MEANTIME, PRIVATE SECTOR HAS GIVEN CONSIDERABLE RECENT ATTENTION TO NATIONAL PLANT BREEDING COMMITTEE RECOMMENDATION THAT DENMARK SHOULD SEEK GREATER SELF-SUFFICIENCY IN PROTEIN MEAL THROUGH OVERSEAS PRODUCTION, E.G. SOYBEANS IN AFRICA, BY LARGE DANISH INTERNATIONAL TRADING FIRMS SUCH AS EAST ASIATIC COMPANY. (NO SUGGESTION THAT SUCH PRODUCTION SHOULD RECEIVE PREFERENTIAL TREATMENT HAS YET BEEN RAISED.) LIKEWISE, INCREASED ATTENTION IS BEING GIVEN TO EXPANDING DOMESTIC PRODUCTION OF ALFALFA, HORSEBEANS, FEEDPEAS, SILAGE CORN, ETC. TO OFFSET DEPENDENCY ON IMPORTED SOYBEANS AND GRAINS.

3. AS REGARDS CURRENT CAP PRICE ADJUSTMENT PROPOSALS, DANES SEE FRENCH DEFEAT ON EARLIER MEAT PRICE EFFORT AS MAKING PRESENT NEGOTIATIONS MUCH MORE DIFFICULT. DANES WANT PIGMEAT BASE PRICES RAISED SUBSTANTIALLY ABOVE PROPOSAL BUT NOW APPEAR DOUBTFUL THIS GOAL WILL BE ACHIEVED. THEY WOULD LIKE INCREASED SUBSIDIES FOR FEEDING

OF SKIM MILK TO ACCOMPANY PRICE ADJUSTMENTS TO ENCOURAGE SKIM MILK CONSUMPTION. THE PROPOSED TAX ON MILK IN THE EVENT OF LARGE BUTTER SURPLUSES IS NOT SUPPORTED BY DENMARK AND DANES HAVE EXPRESSED CONCERN RE EFFECT ON CHEESE PRODUCTION OF CHANGE IN FAT/PROTEIN RATIO.

LIKE MOST OTHER MEMBERS, DANES ARE OPPOSED TO MILK TAX; THE FARM ORGANIZATIONS WOULD PREFER SUBSIDIES TO CONSUMER SALES OF BUTTER TO REDUCE EXCESS STOCKS. DANES ALSO FAVOR INCREASED SUPPORT FOR LEGUME AND RAPESEED PRODUCTION AND THE PROPOSED SUBSIDIES FOR DEHYDRATED FORAGE AND FODDER BEAN SEED PRODUCTION. THEY VIEW PRESENT ADJUSTMENT IN GRAIN PRICES AS ADEQUATE AND IMPLY DENMARK WOULD BE JUST AS HAPPY WITH EVEN SMALLER INCREASES FOR GRAINS.

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4. WHILE DENMARK'S POSITION IN REGARD TO CAP IMPROVEMENT IS BASED ON MAINTENANCE OF PRINCIPLES OF CURRENT CAP (I.E. JOINT RESPONSIBILITY FOR FINANCING THE POLICIES, THE COMMON PRICING BASIS, FREE TRADE AMONG MEMBER COUNTRIES AND COMMON PREFERENCE TO FARM PRODUCTS WITHIN THE COMMUNITY), DANES RECOGNIZE NEED FOR SIMPLIFICATION OF ADMINISTRATION AND LIMITING FEOGA COSTS. (LATTER FACTOR OCCASIONED DANISH MINAF STATEMENT AT COUNCIL MEETING RECOMMENDING CAUTION IN INTRODUCING PROTEIN SUPPORT

SCHEMES.) DANES WOULD LIKE TO SEE MORE OBJECTIVE CRITERIA USED AS BASIS FOR PRICE FIXING AND MORE EMPHASIS PLACED ON ASSURING MODERN FARM UNITS, AS OPPOSED TO INEFFICIENT UNITS, A LEVEL OF INCOME CORRESPONDING TO OTHER SECTORS OF ECONOMY. THEY RECOGNIZE THAT CERTAIN FARMING REGIONS OF EC MAY REQUIRE SPECIAL ASSISTANCE, E.G. HILL FARMERS, BUT WOULD LIKE SUCH SUPPORT TO BE PAID FROM SOCIAL FUNDING RATHER THAN FROM FEOGA. HOWEVER, WHILE IT IS FELT OVER LONG-TERM DANES WILL SEEK LESS PROTECTIONISTIC POLICIES IN EC AGRICULTURAL SECTOR, IN SHORT-TERM THEY WANT TO REAP AS MUCH BENEFIT AS POSSIBLE FROM CAP IN ORDER TO EASE CURRENT BALANCE OF PAYMENT PROBLEMS. DUNNIGAN

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